

**WISTRON INFORMATION TECHNOLOGY AND
SERVICES CORPORATION**

PARENT COMPANY ONLY FINANCIAL STATEMENTS

**With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018**

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The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Parent Company Only Balance Sheets	4
5. Parent Company Only Statements of Comprehensive Income	5
6. Parent Company Only Statements of Changes in Equity	6
7. Parent Company Only Statements of Cash Flows	7
8. Notes to the Parent Company Only Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of significant accounting policies	9~22
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	22
(6) Explanation of significant accounts	23~46
(7) Related party transactions	47~49
(8) Pledged assets	49
(9) Significant commitments and contingencies	49
(10) Losses due to major disasters	49
(11) Subsequent events	49~50
(12) Other	50
(13) Other disclosures	
(a) Information on significant transactions	50~51、60~64
(b) Information on investments	51、65
(c) Information on investment in mainland China	51、66
(14) Segment information	51
9. Statements of major accounting items	52~59



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Independent Auditors' Report

To the Board of Directors of Wistron Information Technology And Services Corporation :

Opinion

We have audited the financial statements of Wistron Information Technology And Services Corporation (“the Company”), which comprise the balance sheets as of December 31, 2019 and 2018, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit of the financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants Ruling No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the financial statements as of and for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

Please refer to Note 4(l) “Revenue” for accounting policy and Note 6(o) to the parent company only financial statements for the disclosure of revenue recognition.

Description of key audit matter

The Company is a listed company in related to public interest, and the investors are highly expecting the financial performance, resulting in revenue recognition is one of the key judgmental areas of our audit.

How the matter was addressed in our audit

Our principal audit procedures included testing of the design and implement of controls over sales and collection of receivable transactions; evaluating if there is any significant abnormal changes through performing trend analysis on top 10 customers by comparing the difference between the actual number and the same period last year; assessing and testing the sale transaction voucher to confirm the accurately of revenue recognition; evaluating the adequacy of revenues recognition by testing the sale transactions during the period before and after the balance sheets date.

2. Valuation of accounts receivable

Please refer to Note 4(f) “Financial Instruments” for accounting policy, Note 5 for accounting assumptions, judgments and estimation uncertainty of accounts receivable and Note 6(c) for the disclosure of the valuation of accounts receivable to the parent company only financial statements.

Description of key audit matters

The Company engaged in the information technology service industry. Resulting in significant judgment being applied in the management's assessment of the recoverability of accounts receivable. Consequently, this is one of the key judgmental areas of our audit.

How the matter was addressed in our audit

Our principal audit procedures included testing the adequacy of the formula of the calculation for expected loss rate; testing the adequacy of aging report by tracing to related vouchers; evaluating the appropriateness of loss allowance and expected credit loss by testing if the loss allowance was made by expected loss rate; assessing if the evaluation document of loss allowance for accounts receivable was compliance with the Company's accounting policy; evaluating the adequacy of the disclosure of loss allowance for accounts receivable prepared by management.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ya-Ling Chen and Ming-Hung Huang.

KPMG

Taipei, Taiwan (The Republic of China)
March 27, 2020

Notes to Readers

The accompanying parent company only financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION

Parent Company Only Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2019		December 31, 2018		Liabilities and Equity		December 31, 2019		December 31, 2018	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 291,445	12	715,812	34	2130	Current contract liabilities (note 6 (o))	\$ 2,924	-	2,470	-
1140	Current contract assets (note 6(o))	13,015	1	19,719	1	2170	Accounts payable	8,068	-	23,570	1
1170	Accounts receivable, net (notes 6(c)(o))	209,608	9	151,107	7	2180	Accounts payable—related parties (note 7)	1,518	-	1,482	-
1180	Accounts receivable—related parties, net (notes 6(c)(o) and 7)	32,702	1	105,213	5	2200	Other payables (note 6(p))	227,620	9	192,388	9
1200	Other receivables	75	-	143	-	2220	Other payables—related parties (note 7)	126	-	-	-
1210	Other receivables—related parties (note 7)	9,049	-	7,231	-	2230	Current tax liabilities	19,131	1	-	-
1220	Current tax assets	-	-	386	-	2280	Current lease liabilities (note 6(j))	425	-	-	-
1410	Prepayments	1,397	-	47	-	2399	Other current liabilities	6,454	-	6,091	-
1470	Other current assets (note 6(h))	1,221	-	809	-		Total current liabilities	266,266	10	226,001	10
	Total current assets	558,512	23	1,000,467	47		Non-Current liabilities:				
Non-current assets:						2570	Deferred tax liabilities (note 6(l))	60,137	3	58,722	3
1517	Non-current financial assets at fair value through other comprehensive income (note 6(b))	13,212	1	13,072	1	2640	Net defined benefit liability, non-current (note 6(k))	15,375	1	15,368	1
1550	Investments accounted for using equity method (note 6(d))	1,336,069	55	1,003,294	47	2580	Non-current lease liabilities (note 6(j))	722	-	-	-
1600	Property, plant and equipment (note 6(e))	519,985	21	16,407	1		Total non-current liabilities	76,234	4	74,090	4
1755	Right-of-use assets (note 6(f))	1,176	-	-	-		Total liabilities	342,500	14	300,091	14
1780	Intangible assets (note 6(g))	7,210	-	5,555	-		Equity (notes 6(k)(l)(m)):				
1840	Deferred tax assets (note 6(l))	6,233	-	6,583	-	3100	Capital stock	664,011	27	602,137	28
1900	Other non-current assets (notes 6(h) and 8)	9,100	-	81,915	4	3200	Capital surplus	736,051	30	717,711	34
	Total non-current assets	1,892,985	77	1,126,826	53	3300	Retained earnings	834,032	34	583,258	27
						3400	Other equity	(125,097)	(5)	(75,904)	(3)
							Total equity	2,108,997	86	1,827,202	86
Total assets		\$ 2,451,497	100	2,127,293	100		Total liabilities and equity	\$ 2,451,497	100	2,127,293	100

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION

Parent Company Only Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars, except for earnings per common share)

	2019		2018		
	Amount	%	Amount	%	
4000	Net revenue (notes 6(o) and 7)				
	\$ 912,368	100	800,085	100	
5000	Cost of sales (notes 6(e)(g)(i)(j)(k), 7 and 12)				
	(568,105)	(62)	(524,518)	(65)	
	<u>344,263</u>	<u>38</u>	<u>275,567</u>	<u>35</u>	
	Gross profit				
	Operating expenses (notes 6(c)(e)(f)(g)(i)(j)(k)(m)(p), 7 and 12):				
6100	Selling expenses	(19,810)	(2)	(15,173)	(2)
6200	Administrative expenses	(263,966)	(29)	(242,377)	(30)
6450	Expected credit (loss) reversal of provision	629	-	692	-
6300	Total operating expenses	<u>(283,147)</u>	<u>(31)</u>	<u>(256,858)</u>	<u>(32)</u>
	Net operating income	<u>61,116</u>	<u>7</u>	<u>18,709</u>	<u>3</u>
	Non-operating income and expenses (notes 6(j)(q) and 7):				
7010	Other income	1,882	-	2,206	-
7020	Other gains and losses	31,479	3	50,153	6
7070	Recognized share of subsidiaries, associates and joint ventures accounted for using equity method	342,108	38	193,361	24
7050	Finance costs	(306)	-	(161)	-
	Total non-operating income and expenses	<u>375,163</u>	<u>41</u>	<u>245,559</u>	<u>30</u>
	Profit before tax	<u>436,279</u>	<u>48</u>	<u>264,268</u>	<u>33</u>
7951	Income tax expenses (note 6(l))	(23,156)	(3)	(11,078)	(1)
	Net profit	<u>413,123</u>	<u>45</u>	<u>253,190</u>	<u>32</u>
8300	Other comprehensive income (notes 6(k)(l)(m)):				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	228	-	(2,278)	-
8312	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	140	-	3,458	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Total items that will not be reclassified subsequently to profit or loss	<u>368</u>	<u>-</u>	<u>1,180</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(1,253)	-	3,799	1
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	(48,080)	(5)	(12,920)	(2)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	<u>(49,333)</u>	<u>(5)</u>	<u>(9,121)</u>	<u>(1)</u>
8300	Other comprehensive income (loss)	<u>(48,965)</u>	<u>(5)</u>	<u>(7,941)</u>	<u>(1)</u>
	Total comprehensive income	<u>\$ 364,158</u>	<u>40</u>	<u>245,249</u>	<u>31</u>
	Earnings per share (in dollars) (note 6(n))				
9750	Basic earnings per share	<u>\$ 6.23</u>		<u>4.75</u>	
9850	Diluted earnings per share	<u>\$ 6.17</u>		<u>4.67</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION

Parent Company Only Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Capital stock		Retained earnings				Other equity				Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total	Treasury shares	
Balance at January 1, 2018	\$ 438,783	255,502	54,262	20,566	322,549	397,377	(44,455)	(25,786)	(70,241)	(11,742)	1,009,679
Net profit	-	-	-	-	253,190	253,190	-	-	-	-	253,190
Other comprehensive income	-	-	-	-	(2,278)	(2,278)	(9,121)	3,458	(5,663)	-	(7,941)
Total comprehensive income	-	-	-	-	250,912	250,912	(9,121)	3,458	(5,663)	-	245,249
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	10,924	-	(10,924)	-	-	-	-	-	-
Special reserve	-	-	-	27,675	(27,675)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(21,677)	(21,677)	-	-	-	-	(21,677)
Stock dividends	43,354	-	-	-	(43,354)	(43,354)	-	-	-	-	-
Cash subscription	120,000	432,000	-	-	-	-	-	-	-	-	552,000
Treasury shares transferred to employees	-	(1,070)	-	-	-	-	-	-	-	11,742	10,672
Treasury shares transferred to employees recognized the cost of compensation	-	21,646	-	-	-	-	-	-	-	-	21,646
Employee stock option compensation costs	-	9,633	-	-	-	-	-	-	-	-	9,633
Balance at December 31, 2018	602,137	717,711	65,186	48,241	469,831	583,258	(53,576)	(22,328)	(75,904)	-	1,827,202
Net profit	-	-	-	-	413,123	413,123	-	-	-	-	413,123
Other comprehensive income	-	-	-	-	228	228	(49,333)	140	(49,193)	-	(48,965)
Total comprehensive income	-	-	-	-	413,351	413,351	(49,333)	140	(49,193)	-	364,158
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	25,319	-	(25,319)	-	-	-	-	-	-
Special reserve	-	-	-	27,663	(27,663)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(102,363)	(102,363)	-	-	-	-	(102,363)
Stock dividends	60,214	-	-	-	(60,214)	(60,214)	-	-	-	-	-
New share issued through employees' profit sharing bonus	1,660	18,340	-	-	-	-	-	-	-	-	20,000
Balance at December 31, 2019	\$ 664,011	736,051	90,505	75,904	667,623	834,032	(102,909)	(22,188)	(125,097)	-	2,108,997

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION

Parent Company Only Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows generated from (used in) operating activities:		
Profit before tax	\$ 436,279	264,268
Adjustments:		
Adjustments to reconcile loss:		
Depreciation expense	14,195	8,681
Amortization expense	4,121	5,780
Expected credit loss (reversal of provision)	(629)	(692)
Interest expense	306	161
Interest income	(1,168)	(1,038)
Dividend income	(714)	(1,168)
Recognized share of subsidiaries, associates and joint ventures accounted for using equity method	(342,108)	(193,361)
Compensation cost arising from share-based payments	-	31,279
Loss on disposal of property, plant and equipment	1,087	7
Total adjustments to reconcile loss	(324,910)	(150,351)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in current contract assets	6,911	41,760
Increase in notes and accounts receivable, net	(58,079)	(38,972)
Decrease (increase) in accounts receivable – related parties	72,511	(86,920)
Increase in other receivables – related parties	(1,818)	(1,055)
Decrease (increase) in prepayments	(1,350)	67
Decrease (increase) in other current assets	(591)	425
Total changes in operating assets	17,584	(84,695)
Changes in operating liabilities:		
Increase (decrease) in contract liabilities	454	(19,950)
Decrease in accounts payable	(15,502)	(28,178)
Increase in accounts payable – related parties	36	252
Increase in other payables	15,232	40,635
Increase in other payables – related parties	126	-
Increase in other current liabilities	363	1,159
Increase (decrease) in net defined benefit liability	235	(224)
Total changes in operating liabilities	944	(6,306)
Net changes in operating assets and liabilities	18,528	(91,001)
Total changes in operating assets and liabilities	(306,382)	(241,352)
Cash generated from operations	129,897	22,916
Interest received	1,236	1,009
Interest paid	(306)	(161)
Income taxes refund (paid)	(1,874)	2,838
Net cash flows generated from operating activities	128,953	26,602
Cash flows used in investing activities:		
Acquisition of property, plant and equipment	(451,396)	(8,408)
Proceeds from disposal of property, plant and equipment	105	34
Decrease (increase) in refundable deposits	5,393	(3,784)
Acquisition of intangible assets	(5,776)	(2,233)
Decrease (increase) in other financial assets	179	(179)
Increase in other non-current assets	-	(67,422)
Dividends received	714	1,168
Net cash flows used in investing activities	(450,781)	(80,824)
Cash flows generated from (used in) financing activities:		
Increase in short-term loans	128,374	206,000
Repayments of short-term loans	(128,374)	(206,000)
Repayments of the principle portion of lease liabilities	(176)	-
Cash dividends paid	(102,363)	(21,677)
Proceeds from issuing shares	-	552,000
Treasury shares transferred to employees	-	10,672
Net cash flows generated from (used in) financing activities	(102,539)	540,995
Net increase (decrease) in cash and cash equivalents	(424,367)	486,773
Cash and cash equivalents at beginning of year	715,812	229,039
Cash and cash equivalents at end of year	\$ 291,445	715,812

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION

Notes to the Parent Company Only Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars, unless otherwise specified)

(1) Company history

Mirrors International, Inc. was incorporated on June 1, 1992 as a company limited by shares under the laws of the Republic of China (R.O.C); and in July 2004, it changed its name to Wistron Information Technology and Services Corporation (the “Company”). The Company is primarily engaged in the development and maintenance of the IT system, IT consulting and outsourcing services.

(2) Approval date and procedures of the financial statements

The parent company only financial statements for the years ended December 31, 2019 and 2018 were authorized for issue by the Board of Directors on March 27, 2020.

(3) New standards, amendments and interpretations adopted

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

The adoption of the above IFRSs would not have any material impact on the financial statements based on the Company’s assessment.

- (b) The impact of IFRSs endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Rule No. 1080323028 issued by the FSC on July 29, 2019:

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The adoption of the abovementioned standards would not have any material impact on its financial statements based on the Company’s assessment.

- (c) The impact of IFRSs issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes the evaluation.

(4) Summary of significant accounting policies

The significant accounting policies presented in the parent company only financial statements are summarized as follows. And the accounting policies have been applied consistently to all periods presented in these parent company only financial statements.

- (a) Statement of compliance

These parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations").

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(b) Basis of preparation

(i) Basis of measurement

Except for the following material items in the balance sheets, the parent company only financial statements have been prepared on the historical cost basis:

- 1) Financial assets measured at fair value through other comprehensive income;
- 2) The net defined benefit liabilities are measured at the present value of the defined benefit obligation less fair value of the plan assets, and the effect of the asset ceiling explained in notes 4(m).

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The parent company only financial statements are presented in New Taiwan Dollars (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income which is recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into NTD at the exchange rates of the reporting date. The income and expenses of foreign operations are translated into NTD at the average rate. Exchange differences are recognized in other comprehensive income.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such monetary items that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(f) Financial instruments

Accounts receivable is initially recognized when it is originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at amortized cost or fair value through other comprehensive income-equity investment. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment losses, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets and guarantee deposit), and contract assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL :

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Company considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Company in full.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

ECL are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

2) Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

3) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

4) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Investment in subsidiaries

When preparing the parent company only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

(h) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Buildings and structures : 5 to 50 years
- 2) Computers and other equipment : 4 to 6 years
- 3) Office equipment : 6 years
- 4) Lease improvements : 5 years
- 5) Lease equipment : 3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Leases

Policy applicable from January 1, 2019

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Company has the right to direct the use of the asset throughout the period of use only if either:
 - The Company has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

- the Company has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
- the Company designed the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- 1) fixed payments, including in-substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change in the assessment on whether it will exercise an option to purchase the underlying asset; or
- 4) there is a change in the assessment on lease term as to whether it will exercise an extension or terminated option; or

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

- 5) there are any lease modifications to the assets, scope and other terms of the lease.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the balance sheets.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before January 1, 2019

Leases are operating leases and are not recognized in the Company's balance sheets.

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

- (j) Intangible assets

Other intangible assets, excluding goodwill, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred. Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The Company's intangible assets are mainly computer software and are recognized in profit or loss on a straight-line basis over the estimated useful lives of 3~6 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

- (k) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

For assets other than goodwill, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(l) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below:

(i) IT Consulting and Outsourcing services

The Company provides IT consulting and outsourcing services. Revenue is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the costs incurred to date as a proportion of the total estimated costs of the transaction.

Some contracts include multiple deliverables, such as system development and maintenance service. In most cases, an integration service is not included, and the transaction price will be allocated based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include the installation of hardware, revenue for the hardware is recognized at a point in time when the hardware is delivered, the legal title has passed, and the customer has accepted the hardware.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

(ii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(m) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(n) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between the expected and the actual outcomes.

Grant date of the share-based payment award is the date the Company inform their employees about the exercise price and shares.

(o) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations, or are recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the below exceptions:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(p) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Company divided by weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as employee stock option and employees' profit sharing bonus.

(q) Operating segment

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the parent company only financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the parent company only financial statements requires the management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about critical judgments in applying the accounting policies that do not have significant effects on the amounts recognized in the parent company only financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment with the next financial year is valuation of accounts receivable.

The Company has estimated the loss allowance of accounts receivable based on the risk of a default occurring and the rate of expected credit loss. The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the expected credit loss rate to be used in calculating the impairments.

However, in the face of future economic trends, the Company may cause changes in the expected credit loss rate, and may cause losses in the future or reverse the recognized credit losses.

The allowance loss for accounts receivable please refer to Note 6(c).

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	\$ 120	110
Demand and checking deposits	106,534	642,275
Time deposits	<u>184,791</u>	<u>73,427</u>
Cash and cash equivalents in the parent company only statement of cash flows	<u>\$ 291,445</u>	<u>715,812</u>

Please refer to Note 6(r) for the currency rate risk and sensitivity analysis of the financial assets of the Company.

(b) Non-current financial assets at fair value through other comprehensive income

	December 31, 2019	December 31, 2018
Unlisted stocks	<u>\$ 13,212</u>	<u>13,072</u>

(i) The Company designated the investments show above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term for strategic purposes.

(ii) For market risk, please refer to Note 6(r).

(iii) The aforementioned financial assets were not pledged as collateral.

(c) Accounts receivable (including related parties)

	December 31, 2019	December 31, 2018
Accounts receivable	\$ 209,638	151,559
Accounts receivable-related parties	32,702	105,213
Less: Loss allowance	<u>(30)</u>	<u>(452)</u>
	<u>\$ 242,310</u>	<u>256,320</u>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivable has been grouped based on shared credit risk characteristics and days past due, as well as the incorporated forward-looking information.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

The loss allowance provision was determined as follows:

	December 31, 2019		
	Gross carrying amount	Weighted- average expected credit loss rate	Lifetime expected credit loss allowance
Not overdue	\$ 222,231	-	-
Overdue within 30 days	14,360	-	-
Overdue 31~120 days	5,531	-	-
Overdue 121~180 days	75	-	-
Overdue 181~365 days	143	20.85%	30
Overdue more than 365 days	-	-	-
	\$ 242,340		30

	December 31, 2018		
	Gross carrying amount	Weighted- average expected credit loss rate	Lifetime expected credit loss allowance
Not overdue	\$ 237,430	-	-
Overdue within 30 days	10,542	-	-
Overdue 31~120 days	7,107	-	-
Overdue 121~180 days	600	-	-
Overdue 181~365 days	992	5.141%	51
Overdue more than 365 days	101	100%	101
	\$ 256,772		152

The movements in the allowance for accounts receivable were as follow:

	2019	2018
Balance at January 1	\$ 452	249
Impairment losses recognized	-	203
Impairment losses reversed	(422)	-
Balance at December 31	\$ 30	452

(d) Investments accounted for using equity method

The components of investments accounted for using the equity method at the reporting date were as follows:

	December 31, 2019	December 31, 2018
Subsidiaries	\$ 1,336,069	1,003,294

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(i) Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2019.

(ii) The investments accounted for using equity method were not pledged.

(e) Property, plant and equipment

The movements in cost and accumulated depreciation of property, plant and equipment were as follows:

	<u>Land</u>	<u>Buildings and structures</u>	<u>Computers and other equipment</u>	<u>Office equipment</u>	<u>Lease improvements</u>	<u>Lease equipment</u>	<u>Total</u>
Cost :							
Balance as of January 1, 2019	\$ -	-	37,000	4,217	14,847	504	56,568
Additions	158,451	269,848	15,229	7,868	-	-	451,396
Reclassification	27,462	39,960	-	-	-	-	67,422
Disposals	-	-	(4,547)	(3,236)	(13,389)	-	(21,172)
Balance as of December 31, 2019	<u>\$ 185,913</u>	<u>309,808</u>	<u>47,682</u>	<u>8,849</u>	<u>1,458</u>	<u>504</u>	<u>554,214</u>
Balance as of January 1, 2018	\$ -	-	32,964	4,070	13,389	504	50,927
Additions	-	-	6,803	147	1,458	-	8,408
Disposals	-	-	(2,767)	-	-	-	(2,767)
Balance as of December 31, 2018	<u>\$ -</u>	<u>-</u>	<u>37,000</u>	<u>4,217</u>	<u>14,847</u>	<u>504</u>	<u>56,568</u>
Accumulated depreciation :							
Balance as of January 1, 2019	\$ -	-	24,631	2,968	12,058	504	40,161
Depreciation	-	3,958	6,882	947	2,261	-	14,048
Disposals	-	-	(4,525)	(2,594)	(12,861)	-	(19,980)
Balance as of December 31, 2019	<u>\$ -</u>	<u>3,958</u>	<u>26,988</u>	<u>1,321</u>	<u>1,458</u>	<u>504</u>	<u>34,229</u>
Balance as of January 1, 2018	\$ -	-	22,323	2,353	9,026	504	34,206
Depreciation	-	-	5,034	615	3,032	-	8,681
Disposals	-	-	(2,726)	-	-	-	(2,726)
Balance as of December 31, 2018	<u>\$ -</u>	<u>-</u>	<u>24,631</u>	<u>2,968</u>	<u>12,058</u>	<u>504</u>	<u>40,161</u>
Carrying value :							
Balance as of December 31, 2019	<u>\$ 185,913</u>	<u>305,850</u>	<u>20,694</u>	<u>7,528</u>	<u>-</u>	<u>-</u>	<u>519,985</u>
Balance as of December 31, 2018	<u>\$ -</u>	<u>-</u>	<u>12,369</u>	<u>1,249</u>	<u>2,789</u>	<u>-</u>	<u>16,407</u>
Balance as of January 1, 2018	<u>\$ -</u>	<u>-</u>	<u>10,641</u>	<u>1,717</u>	<u>4,363</u>	<u>-</u>	<u>16,721</u>

As of December 31, 2019 and 2018, the property, plant and equipment were not pledged.

(f) Right-of-use assets

The Company leases transportation equipment. The movements in right-of-use assets were as follows:

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

	Transportation equipment
Cost:	
Balance as of January 1, 2019	\$ -
Additions	1,323
Balance as of December 31, 2019	<u>\$ 1,323</u>
Accumulated depreciation:	
Balance as of January 1, 2019	\$ -
Depreciation	147
Balance as of December 31, 2019	<u>147</u>
Carrying amount:	
Balance as of December 31, 2019	<u>1,176</u>

The Company leases offices, company cars and parking lots under an operating lease for the year ended December 31, 2018, please refer to Note 6(i).

(g) Intangible assets

The movements in intangible assets were as follows:

	Software
Cost :	
Balance as of January 1, 2019	\$ 28,806
Additions	5,776
Disposals	(139)
Balance as of December 31, 2019	<u>\$ 34,443</u>
Balance as of January 1, 2018	\$ 26,573
Additions	2,233
Balance as of December 31, 2018	<u>\$ 28,806</u>
Accumulated amortization :	
Balance as of January 1, 2019	\$ 23,251
Amortization	4,121
Disposals	(139)
Balance as of December 31, 2019	<u>\$ 27,233</u>
Balance as of January 1, 2018	\$ 17,471
Amortization	5,780
Balance as of December 31, 2018	<u>\$ 23,251</u>
Carrying value :	
Balance as of December 31, 2019	<u>\$ 7,210</u>
Balance as of December 31, 2018	<u>\$ 5,555</u>
Balance as of January 1, 2018	<u>\$ 9,102</u>

For the years ended December 31, 2019 and 2018, the amortization of intangible assets is included in the cost of sales and operating expenses in the statement of comprehensive income.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(h) Other current assets and other non-current assets

	December 31, 2019	December 31, 2018
The details of the other current assets were as follows:		
Temporary payments	\$ 1,221	630
Other financial assets	-	179
	\$ 1,221	809

For the years ended December 31, 2019 and 2018, no impairment loss was recognized on the other current assets. For credit risk, please refer to Note 6(r).

	December 31, 2019	December 31, 2018
The details of the other non-current assets were as follows:		
Refundable deposits	\$ 9,100	14,493
Prepayment for land and buildings	-	67,422
	\$ 9,100	81,915

For the years ended December 31, 2019 and 2018, the other non-current assets were pledged, please refer to Note 8.

(i) Operating leases

The Company leases offices, company vehicles and parking lots under operating lease agreements.

The future lease payments under operating leases are as follows:

	December 31, 2018
Within one year	\$ 10,222
Between one and five years	125
Over five years	-
	\$ 10,347

For the year ended December 31, 2018, an amount of \$12,180 was recognized as an expense in profit or loss in respect of operating leases.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(j) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	December 31, 2019
Current	<u>\$ 425</u>
Non-current	<u>\$ 722</u>

For the maturity analysis, please refer to Note 6(r).

The amounts recognized in profit or loss were as follows:

	2019
Interest expenses on lease liabilities	<u>\$ 23</u>
Expenses relating to short-term leases	<u>\$ 10,104</u>
Expenses relating to leases of low-value assets	<u>\$ 697</u>

The amount recognized in the statement of cash flows for the Company was as follows:

	2019
Total cash outflow for leases	<u>\$ 11,000</u>

Other leases

The Company leases some office equipment. These leases are short-term or leases of low-value items. The Company has selected not to recognize right-of-use assets and lease liabilities for these leases.

For operating lease as of December 31, 2018, please refer to Note 6(i).

(k) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value were as follows:

	December 31, 2019	December 31, 2018
Present value of the defined benefit obligations	\$ 42,954	41,173
Fair value of plan assets	<u>(27,579)</u>	<u>(25,805)</u>
Net defined benefit liabilities	<u>\$ 15,375</u>	<u>15,368</u>

The Company makes defined benefit plan contributions to the pension fund account in the Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average salary prior to six months of retirement.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's labor pension reserve account balance in the Bank of Taiwan amounted to 27,579 as of December 31, 2019. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements at present value of the defined benefit obligations

For the years ended December 31, 2019 and 2018, the movements at present value of the defined benefit obligations for the Company were as follows:

	<u>2019</u>	<u>2018</u>
Defined benefit obligations at January 1	\$ 41,173	41,647
Current service costs and interest cost	1,032	631
Remeasurements of the net defined benefit liability:		
– Actuarial loss arising from changes in financial assumptions	1,248	-
– Actuarial loss(gain) arising from experience adjustments	(499)	3,050
Benefits paid from plan assets	-	(4,155)
Defined benefit obligations at December 31	<u>\$ 42,954</u>	<u>41,173</u>

3) Movements at fair value of the defined benefit plan assets

For the years ended December 31, 2019 and 2018, the movements at fair value of the defined benefit plan assets for the Company were as follows:

	<u>2019</u>	<u>2018</u>
Fair value of plan assets at January 1	\$ 25,805	28,333
Expected return on plan assets	350	368
Remeasurements of the net defined benefit liability:		
– Return on plan assets	977	772
Amounts contributed to plan	447	487
Benefits paid from plan assets	-	(4,155)
Fair value of plan assets at December 31	<u>\$ 27,579</u>	<u>25,805</u>

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	<u>2019</u>	<u>2018</u>
Current service costs	\$ 474	83
Interest cost	558	548
Expected return on plan assets	<u>(350)</u>	<u>(368)</u>
	<u>\$ 682</u>	<u>263</u>
	<u>2019</u>	<u>2018</u>
Cost of sales	\$ 331	151
Selling expenses	27	15
Administration expenses	<u>324</u>	<u>97</u>
	<u>\$ 682</u>	<u>263</u>

5) Remeasurements of the net defined benefit liability recognized in other comprehensive income

For the years ended December 31, 2019 and 2018, the remeasurements of the net defined benefit liability recognized in other comprehensive income were as follows:

	<u>2019</u>	<u>2018</u>
Accumulated amount at January 1	\$ 7,246	4,968
Recognized during the period	<u>(228)</u>	<u>2,278</u>
Accumulated amount at December 31	<u>\$ 7,018</u>	<u>7,246</u>

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Discount rate	1.125 %	1.375 %
Future salary increase rate	3.000 %	3.000 %

Expected contribution to the defined benefit pension plan of the Company for the one-year period after the reporting date is \$436. The weighted average lifetime of the defined benefit plans is 15.97 years.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

7) Sensitivity analysis

As of December 31, 2019, and 2018, the changes in main actuarial assumptions might have an impact on the present value of the defined benefit obligation as follows:

	<u>Influences of defined benefit obligations</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2019		
Discount rate	\$ (1,248)	1,298
Future salary increase rate	1,249	(1,211)
December 31, 2018		
Discount rate	\$ (1,269)	1,320
Future salary increase rate	1,278	(1,233)

There is no change in other assumptions when performing the aforementioned sensitivity analysis. In practice, assumptions may be interactive with each other. The method used on sensitivity analysis is consistent with the calculation on the net pension liabilities.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

(ii) Defined contribution plans

The Company set aside 6% of the contribution rate of the employee's monthly wages to the Labor Pension personal account of the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. The Company set aside a fixed amount to the Bureau of Labor Insurance without the payment of additional legal or constructive obligations.

The Company set aside \$29,244 and \$22,368 of the pension under the pension plan costs to the Bureau of Labor Insurance for the years ended December 31, 2019 and 2018, respectively.

(l) Income tax

(i) Income tax expense

The components of income tax expense for the years ended December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Current tax expense	\$ 21,391	-
Deferred tax expense	<u>1,765</u>	<u>11,078</u>
Income tax expense	<u>\$ 23,156</u>	<u>11,078</u>

There is no income tax recognized directly in equity or other comprehensive income for the years ended December 31, 2019 and 2018.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

Reconciliation of income tax expenses and profit before tax for the years ended December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Profit before tax	\$ 436,279	264,268
Estimated income tax calculated using the Company's domestic tax rate	\$ 87,256	52,853
Adjustment in tax rate	-	(3,103)
Prior-period tax adjustments	1,461	-
Change in unrecognized temporary differences	(66,896)	(38,672)
Others	1,335	-
	<u>\$ 23,156</u>	<u>11,078</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2019 and 2018. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Aggregate amount of temporary differences related to investments in subsidiaries	\$ <u>721,757</u>	<u>387,276</u>
Unrecognized deferred tax liabilities	\$ <u>144,351</u>	<u>77,455</u>

2) Unrecognized deferred tax assets

There is no significant unrecognized deferred tax assets for the years ended December 31, 2019 and 2018.

3) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for 2019 and 2018 were as follows:

Deferred Tax Assets:

	<u>Tax loss carryforward</u>	<u>Loss allowance</u>	<u>Others</u>	<u>Total</u>
Balance as of January 1, 2019	\$ 1,826	1,114	3,643	6,583
Recognized in profit or loss	(1,826)	(1,114)	2,590	(350)
Balance as of December 31, 2019	<u>\$ -</u>	<u>-</u>	<u>6,233</u>	<u>6,233</u>
Balance as of January 1, 2018	\$ 5,111	7,864	4,608	17,583
Recognized in profit or loss	(3,285)	(6,750)	(965)	(11,000)
Balance as of December 31, 2018	<u>\$ 1,826</u>	<u>1,114</u>	<u>3,643</u>	<u>6,583</u>

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

Deferred Tax Liabilities:

	Recognized share of gain of subsidiaries accounted for equity method	Others	Total
Balance as of January 1, 2019	\$ 58,644	78	58,722
Recognized in profit or loss	1,493	(78)	1,415
Balance as of December 31, 2019	<u>\$ 60,137</u>	<u>-</u>	<u>60,137</u>
Balance as of January 1, 2018	\$ 58,644	-	58,644
Recognized in profit or loss	-	78	78
Balance as of December 31, 2018	<u>\$ 58,644</u>	<u>78</u>	<u>58,722</u>

(iii) Assessment of tax

The Company's corporate income tax returns for the year through 2017 were assessed by the local tax authorities.

(m) Capital and other equity

As of December 31, 2019 and 2018, the Company's authorized common stock were 120,000 thousand shares and 80,000 thousand shares with a par value of \$10 dollars per share, amounting to \$1,200,000 and \$800,000, of which 66,401 thousand shares and 60,214 thousand shares, respectively, were issued and outstanding. And the capital surplus were \$664,011 and \$602,137, respectively. All proceeds from shares issued have been collected.

Reconciliations of shares outstanding for the years ended December 31, 2019 and 2018 were as follows:

	Common stock (in thousands)	
	2019	2018
Balance as of January 1	60,214	43,878
Turning undistributed earning into capital	6,021	4,336
Issue for Cash	-	12,000
New share issued through employees' profit sharing bonus	166	-
Balance as of December 31	<u>66,401</u>	<u>60,214</u>

(i) Common stock

On March 22, 2019, the Company's Board of Directors approved a resolution to distribute the employees' profit sharing bonus amounting to \$20,000, consisting of 166 thousand shares. The application of the capital increase was approved by the Financial Supervisory Commission. The date of capital increase was resolved to be June 19, 2019, by the Board of Directors. The relevant registration procedures had been completed.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

On June 24, 2019, the Company's shareholders approved a resolution to distribute the retained earnings amounting to \$60,214 consisting of 6,021 thousand shares, wherein, 100 shares per thousand shares were distributed as stock dividend. However, the Company distributed the employees' profit sharing bonus to new shares. The stock distribution had been adjusted to 99.72510 shares per thousand shares. The date of capital increase was resolved to be August 12, 2019, by the Board of Directors. The relevant registration procedures had been completed.

On June 21, 2018, the Company's shareholders approved a resolution to distribute the retained earnings amounting to \$43,354. This distribution of retained earnings was passed during Board of Directors, with August 8, 2018, as the date of capital increase. The relevant registration procedures had been completed.

On August 9, 2018, the Company's Board of Directors approved a resolution to issued 12,000 thousand shares for cash with par value of \$10 dollars per share. The Company has received approval from the Financial Supervisory Commission for this capital increase on October 16, 2018. The issue price was par value of \$46 dollars per share, approved by the Company's Board of Directors on November 8, 2018. The base date for capital increase was set on December 11, 2018, and all related registration procedure had been completed.

(ii) Capital surplus

The details of capital surplus at the reporting date were as follows:

	December 31, 2019	December 31, 2018
A premium issuance of common shares for cash	\$ 712,847	694,507
Transaction of treasury shares	<u>23,204</u>	<u>23,204</u>
	<u>\$ 736,051</u>	<u>717,711</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

On March 22, 2019, the Company's Board of Directors approved a resolution to distribute employees' profit sharing bonus consisting of 166 thousand shares. The amount of stock premium was \$18,340.

The Company's Board of Directors approved a resolution to issued 12,000 thousand shares for cash. The amount of stock premium was \$432,000, and part of this was reserved for employees' options. Salary expenses were recognized \$9,633 at the fair value of the share options and the Company also recognized capital reserve-employee stock options. Then the amount of stock premium has been transferred to the capital reserve stock-premium after the resolution all done.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(iii) Retained earning

The Company's Article of Incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, after paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve until the accumulated legal reserve equals the Company's capital; and also set aside special capital reserve in accordance with relevant regulations or as requested by the authorities. Any balance left over and the beginning balance of retaining earnings shall be distributed by way of cash or stock dividends; and the ratio for all dividends shall exceed 5% of the remaining earnings. The Company's appropriations of earnings are approved in the meeting of the Board of Directors and are presented for approval in the Company's shareholders' meeting.

The Company considers that the current industrial development of the Company is in a stage of stable growth. In order to cooperate with the Company's long-term capital planning for sustainable operation and stable growth, the Company adopts the residual dividend policy. The annual cash dividends paid shall not be less than 10% of the total cash dividends and stock dividends.

1) Legal reserve

If the Company experienced profit for the year, the meeting of shareholders may decide on the distribution of the legal reserve either by new shares or by cash of up to 25% of the actual share capital.

2) Special reverse

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the total net reduction of current period of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Appropriations of earnings

The appropriations of earning for 2018 and 2017 had been approved by the shareholders' meetings held on June 24, 2019 and June 21, 2018, respectively. The appropriations and dividends were as follows:

	<u>2018</u>	<u>2017</u>
Cash dividends	\$ 102,363	21,677
Stock dividends	<u>60,214</u>	<u>43,354</u>
	<u>\$ 162,577</u>	<u>65,031</u>

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

4) Treasury shares

- a) The Company repurchased its own common stock as treasury shares in order to motivate and improve the operating performance of its employees in accordance with the requirements under section 28(2) of the Securities and Exchange Act.

The repurchase period is from July 7 to September 6, 2016. The repurchased treasury shares were 1,048 thousand shares in total, with the amount of \$23,130. The remuneration costs recognized in 2019 and 2018 were \$0 and \$21,646, respectively. As of December 31, 2019 and 2018, the shares of treasury shares repurchased and shares transferred to employees were both 1,048 thousand shares. Therefore, the shares of treasury shares held were 0 shares.

- b) Pursuant to the Securities and Exchange Act, the number of treasury shares purchased cannot exceed 10% of the number of shares issued. The total purchase cost cannot exceed the sum of retained earnings, capital surplus in excess of par value, and realized capital surplus. Based on the financial report of June 30, 2016, the Company's maximum amount of shares could repurchased was 4,387 thousand shares, and the maximum amount was \$532,908.
- c) Treasury stock cannot be pledged for debts, and treasury shares do not carry any shareholder rights until it is transferred.

(iv) Other equity interest, net of tax

	Exchange differences on translation of foreign financial statements		Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		Total	
	The Company	Subsidiaries	The Company	Subsidiaries	The Company	Subsidiaries
Balance as of January 1, 2019	\$ (36)	(53,540)	(22,328)	-	(22,364)	(53,540)
Foreign currency translation differences	(1,253)	(48,080)	-	-	(1,253)	(48,080)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	-	140	-	140	-
Balance as of December 31, 2019	<u>\$ (1,289)</u>	<u>(101,620)</u>	<u>(22,188)</u>	<u>-</u>	<u>(23,477)</u>	<u>(101,620)</u>
Balance as of January 1, 2018	\$ (3,835)	(40,620)	(25,786)	-	(29,621)	(40,620)
Foreign currency translation differences	3,799	(12,920)	-	-	3,799	(12,920)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	-	3,458	-	3,458	-
Balance as of December 31, 2018	<u>\$ (36)</u>	<u>(53,540)</u>	<u>(22,328)</u>	<u>-</u>	<u>(22,364)</u>	<u>(53,540)</u>

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(n) Earnings per share (“EPS”)

(i) Basic earnings per share

	<u>2019</u>	<u>2018</u>
Net profit belonging to common shareholders	\$ <u>413,123</u>	<u>253,190</u>
Weighted average common stock outstanding (in thousands shares)	<u>66,361</u>	<u>53,359</u>
Basic earnings per share (in dollars)	\$ <u>6.23</u>	<u>4.75</u>

(ii) Diluted earnings per share

	<u>2019</u>	<u>2018</u>
Net profit belonging to common shareholders	\$ <u>413,123</u>	<u>253,190</u>
Weighted average common stock outstanding (in thousands shares)	66,361	53,359
Effect of potentially dilutive common stock (in thousands shares)		
Employees’ profit sharing bonus	368	851
Employees’ profit sharing bonus of subsidiary company	<u>190</u>	<u>-</u>
Weighted average number of common stock (diluted) (in thousands shares)	<u>66,919</u>	<u>54,210</u>
Diluted earnings per share (in dollars)	\$ <u>6.17</u>	<u>4.67</u>

(o) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2019</u>	<u>2018</u>
Primary geographical markets:		
China	\$ 14,579	18,718
Japan	15,054	17,761
Taiwan and Hong Kong	855,839	729,546
Other	<u>26,896</u>	<u>34,060</u>
	\$ <u>912,368</u>	<u>800,085</u>
Major products:		
IT service revenue	\$ <u>912,368</u>	<u>800,085</u>

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(ii) Balance of contracts

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Notes and accounts receivable (including related parties)	\$ 242,340	256,772	130,880
Less: loss allowance	<u>(30)</u>	<u>(452)</u>	<u>(249)</u>
	<u>\$ 242,310</u>	<u>256,320</u>	<u>130,631</u>
Contract assets	\$ 13,417	20,328	62,088
Less: loss allowance	<u>(402)</u>	<u>(609)</u>	<u>(1,504)</u>
Total	<u>\$ 13,015</u>	<u>19,719</u>	<u>60,584</u>
Contract liabilities	<u>\$ 2,924</u>	<u>2,470</u>	<u>22,420</u>

For details of notes and accounts receivable and loss allowance, please refer to Note 6(c).

The amount of revenue recognized for the years ended December 31, 2019 and 2018 that was included in the contract liabilities balance at the beginning of the year was \$2,111 and \$22,420, respectively.

(p) Employees' and directors' profit sharing bonus

According to the Company's Article of Incorporation, if the Company has profit (which means income before tax excluding the amounts of employees' and directors' profit sharing bonus) it shall be contributed by the following rules. However, if the amount Company have accumulated losses, it shall reserve the amount for offsetting losses.

(i) No less than 10% of profit as employees' profit sharing bonus. The Company may distribute in the form of shares or in cash, and the qualification requirements of employees, including the employees of subsidiaries of the Company, depends on certain specific requirement determined by the Board of Directors.

(ii) No more than 2% of profit as the profit sharing bonus in cash to the Directors.

The Company's estimated of employees' and directors' profit sharing bonus were as follows:

	<u>2019</u>	<u>2018</u>
Employees' profit sharing bonus	\$ 49,582	47,694
Directors' profit sharing bonus	<u>9,800</u>	<u>6,000</u>
	<u>\$ 59,382</u>	<u>53,694</u>

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

The amounts are calculated by the net profit before tax excluding employees' and directors' profit sharing bonus, of each year multiplied by the percentage of employees' and directors' profit sharing bonus as specified in the Company's Article of Incorporation. The amounts excluding the part of subsidiaries are accounted for under operating expense in 2019 and 2018. The differences between the estimated amounts in the financial statements and the actual amounts approved by the Board of directors, if any, shall be accounted for as a change in accounting estimate and recognized in next year. If the Company's Board of Directors approved to distribute employee's profit sharing bonus by shares, the number of shares were calculated based on the closing price of the Company's common stock, one day before the date of the meeting of Board of Directors. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2019 and 2018.

(q) Non-operating income and expenses

(i) Other income

	2019	2018
Interest income	\$ 1,168	1,038
Dividend income	714	1,168
	\$ 1,882	2,206

(ii) Other gains and losses

	2019	2018
Foreign exchange gains (losses), net	\$ (340)	2,231
Management services revenue	32,633	24,000
Losses on disposals of property, plant and equipment, net	(1,087)	(7)
Reversal of bad debt loss	-	23,939
Others	273	(10)
	\$ 31,479	50,153

(iii) Finance costs

	2019	2018
Interest expense	\$ (306)	(161)

(r) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

2) Concentration of credit risk

When financial commodity trading is relatively concentrated on a few trading partners, or not but the trading objects are mostly engaged in similar commercial activities and have similar economic characteristics, so when the ability to perform the contract is similarly affected by economic or other conditions, a significant concentration of credit risk occurs.

As of December 31, 2019 and 2018, 57% and 51%, respectively, of accounts receivable was concentrated on 6 specific customers. Thus, credit risk is significantly centralized.

The Company has regularly assessed the possibility of recovering accounts receivable and provides appropriate allowance for impairment losses, which is within the management's expectations. In order to reduce the credit risk, the company also regularly and continuously assesses the financial status of customers, and these customers are well-known international manufacturers. In the past year, the collection status of customers was good. Therefore, the company assesses that credit risk can be reduced.

3) Receivables securities

For credit risk exposure of accounts receivables, please refer to Note 6(c). For the detail and impairment of other financial assets at amortized cost include time deposits recognized in other financial assets, please refer to Note 6(h).

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to Note 4(f).

(ii) Liquidity risk

The following were the contractual maturities of financial liabilities, including estimated interest payments:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>Over 2 years</u>
As of December 31, 2019					
Non-derivative financial liabilities					
Accounts payable (including related parties)	\$ 9,586	9,586	9,586	-	-
Other payables (including related parties)	16,755	16,755	16,755	-	-
Lease liabilities (current and non-current)	<u>1,147</u>	<u>1,234</u>	<u>478</u>	<u>478</u>	<u>278</u>
	<u><u>\$ 27,488</u></u>	<u><u>27,575</u></u>	<u><u>26,819</u></u>	<u><u>478</u></u>	<u><u>278</u></u>
As of December 31, 2018					
Non-derivative financial liabilities					
Accounts payable (including related parties)	\$ 25,052	25,052	25,052	-	-
Other payables	<u>6,477</u>	<u>6,477</u>	<u>6,477</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 31,529</u></u>	<u><u>31,529</u></u>	<u><u>31,529</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to currency risk

The Company's significant exposure to foreign currency risk were as follows:

	December 31, 2019			December 31, 2018		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 1,231	30.106	37,059	4,366	30.733	134,182
CNY	1,647	4.3090	7,095	3,342	4.4755	14,956
<u>Non-monetary items</u>						
USD	40,976	30.106	1,233,626	29,897	30.733	918,809
JPY	370,500	0.2765	102,443	304,560	0.2733	84,485

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable (including related parties) and other receivables (including related parties) that are denominated in foreign currency. A strengthening (weakening) 5% of appreciation (depreciation) of the NTD against the foreign currency for the years ended December 31, 2019 and 2018 would have increased (decreased) the net profit after tax by \$2,445 and \$7,616, respectively. The analysis assumes that all other variables remain constant.

3) Foreign exchange gain and loss on monetary items

The Company's exchange gain or loss, including realized and unrealized portions, of monetary items convert to amount of functional currency, information about exchange rate is as below:

	2019		2018	
	Exchange loss	Average exchange rate	Exchange gain	Average exchange rate
NTD	340	-	2,231	-

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities. The change in interest rate has no significant impact on the company's net profit in 2019 and 2018.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(v) Other market price risk

For the years ended December 31, 2019 and 2018, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

Prices of securities at the reporting date	2019 Other comprehensive income after tax	2018 Other comprehensive income after tax
Increasing 3%	\$ <u>396</u>	<u>392</u>
Decreasing 3%	\$ <u>(396)</u>	<u>(392)</u>

(vi) Fair value information

1) Categories and fair values of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It shall not include fair value information of the financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value and investments in equity instruments which do not have any quoted price in an active market in which the fair value cannot be reasonably measured

	December 31, 2019				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income	\$ 13,212	-	13,212	-	13,212
Financial assets measured at amortized cost					
Cash and cash equivalents	291,445	-	-	-	-
Accounts receivable, net (including related parties)	242,310	-	-	-	-
Other receivables (including related parties)	9,124	-	-	-	-
Refundable deposits	9,100	-	-	-	-
Subtotal	551,979	-	-	-	-
Total	\$ 565,191	-	13,212	-	13,212
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	9,586	-	-	-	-
Other payables (including related parties)	16,755	-	-	-	-
Lease liabilities (current and non-current)	1,147	-	-	-	-
Total	\$ 27,488	-	-	-	-

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

	December 31, 2018				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income	\$ 13,072	-	13,072	-	13,072
Financial assets measured at amortized cost					
Cash and cash equivalents	715,812	-	-	-	-
Accounts receivable, net (including related parties)	256,320	-	-	-	-
Other receivables (including related parties)	7,374	-	-	-	-
Other financial assets	179	-	-	-	-
Refundable deposits	14,493	-	-	-	-
Subtotal	994,178	-	-	-	-
Total	<u>\$ 1,007,250</u>	<u>-</u>	<u>13,072</u>	<u>-</u>	<u>13,072</u>
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 25,052	-	-	-	-
Other payables	6,477	-	-	-	-
Total	<u>\$ 31,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques for financial instruments measured at fair value

The financial assets held by the Company that are measured at fair value through other comprehensive profit or loss are based on the market method of estimating fair value. The judgment refers to the evaluation of the same type of company, market conditions and financial indicators, etc.

3) Transfers between Level 1 and Level 2

For the years ended December 31, 2019 and 2018, there was no transfers between level 2 and level 1.

(s) Management of financial risk

(i) Overview

The Company is exposed to the extent of the risks arising from financial instruments as below :

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

Detailed information about the Company's objectives, policies and processes for measuring and managing the above mentioned risks was listed below. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

Risk management policies are approved by the Board of Directors and is executed by the Company's financial department. For financial risks arising from operation management, the financial department is accountable for recognizing, evaluating and planning the hedge methods through cooperating with other operating units. The Board of Directors develop and document risk policies which cover specific risk exposure such as currency risk and derivative financial instrument risk to ensure the hedge tools are performed properly and effectively.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations that arises principally from the Company's accounts receivable.

1) Accounts receivable

The Company's credit risk exposures are influenced mainly by each customer. According to the Company's credit policy, the credit rating of individual customers must be analyzed before the payment terms and credit limit are given. The Company continues to evaluate the customers' credit rating and credit limit via automatic finance system to manage the credit exposure.

The Company set up the allowance for doubtful accounts to reflect the expected credit loss of accounts receivable.

2) Investments

The credit risk exposure in the bank deposits and other financial instruments is measured and monitored by the Company's finance department. Since the Company's transactions resulted from the external parties with good credit standing and investment grade above financial institutions and companies, there are no non-compliance issues and therefore no significant credit risk.

3) Guarantees

The Company only provides endorsement or guarantee for the companies defined in its policy - "Procedures Governing Endorsements and Guarantees". The company did not provide guarantees to non-consolidated subsidiaries as of December 31, 2019 and 2018.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(iv) Liquidity risk

Liquidity risk is a risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company maintains sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows.

In addition, As of December 31, 2019 and 2018, the Company has unused credit facilities for bank loans of \$520,000 and \$120,000, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Company's entities. The currencies used in these transactions are denominated in CNY, USD and JPY.

The Company collects information of currency to monitor the trend of currency rate and keeps connection with the foreign currency department of banks to collect the market information and determine the exchange rate appropriately for securing the currency risk.

2) Interest risk

The Company did not have loans as of December 31, 2019 and 2018. Consequently, the Company did not have interest risk.

3) Other market price risk

The Company monitors the risk arising from its available-for-sale security instruments, which are held for monitoring cash flow requirements and unused capital. The management of the Company monitors the combination of investment portfolio based on cash flow requirements. Material investments within the portfolio are managed on an individual basis, and all buy-and-sell decisions are approved by the Board of directors.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(t) Capital management

The Company's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, issue new shares, or sell assets to settle any liabilities. The Company uses the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital.

The Company's debt-to-equity ratio at the reporting date was as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Total liabilities	\$ 342,500	300,091
Less: cash and cash equivalents	<u>(291,445)</u>	<u>(715,812)</u>
Net debt	<u>\$ 51,055</u>	<u>(415,721)</u>
Total equity	\$ 2,108,997	1,827,202
Adjustment	<u>-</u>	<u>-</u>
Total capital	<u>\$ 2,108,997</u>	<u>1,827,202</u>
Debt-to-equity ratio	<u>2.42 %</u>	<u>- %</u>

As of December 31, 2019, there were no changes in the Company's approach to capital management.

(u) Investing and Financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities in the years ended December 31, 2019 and 2018, were as follows:

	<u>Cash flows</u>	<u>Non-cash changes</u>			
	<u>January 1, 2019</u>	<u>Proceeds from loans</u>	<u>Repayments of loans and lease liabilities</u>	<u>New lease</u>	<u>December 31, 2019</u>
Short-term loans	\$ -	128,374	(128,374)	-	-
Lease liabilities	-	-	(176)	1,323	1,147
	<u>\$ -</u>	<u>128,374</u>	<u>(128,550)</u>	<u>1,323</u>	<u>1,147</u>
	<u>Cash flows</u>	<u>December 31, 2018</u>			
	<u>January 1, 2018</u>	<u>Proceeds from loans</u>	<u>Repayments of loans</u>	<u>December 31, 2018</u>	
Short-term loans	\$ -	<u>206,000</u>	<u>(206,000)</u>	<u>-</u>	

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

(7) Related party transactions

(a) Names and relationship with related parties

The following are entities that have transactions with the Company during the periods covered in the financial statements and the Company's subsidiaries.

<u>Name of related party</u>	<u>Relationship with the Company</u>
Wistron Information Technology and Services Limited (WIHK)	The Subsidiary
Wistron Information Technology and Services Inc. (WIBI)	The Subsidiary
Wistron Information Technology and Services (Japan) Inc. (WIJP)	The Subsidiary
WITS AMERICA, CORP. (WIUS)	The Subsidiary
Wistron Information Technology and Services (Beijing) Inc. (WIBJ)	The Subsidiary
Shanghai Booster Technologies Company Limited. (QT)	The Subsidiary
Beijing Enovation Technology co., Ltd. (WIYC)	The Subsidiary
Wistron ITS (Wuhan) CO. (WIWZ)(Note)	The Subsidiary
Wistron Corporation (Wistron)	The entity with significant influence over the Company
Wiwynn Corporation (Wiwynn)	Other related party

(Note) Wuhan Wistron Virgin Technology & Service Inc. was renamed Wistron ITS (Wuhan) Co. on January 4, 2019 and completed registration.

(b) Significant transactions with related parties

(i) Provide service to related parties

The amounts of significant sales transactions and outstanding balances between the Company and related parties were as follows:

	<u>Revenue</u>		<u>Accounts receivable -related parties</u>	
	<u>2019</u>	<u>2018</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Subsidiary-WIBI	\$ 171,735	113,093	5,952	77,842
Subsidiary-Others	34,552	31,868	13,228	13,700
Entities with significant influence over the Company	41,408	32,626	13,230	13,671
Other related party	1,335	-	292	-
	<u>\$ 249,030</u>	<u>177,587</u>	<u>32,702</u>	<u>105,213</u>

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

The selling price for related parties approximated the market price. The credit terms ranged from one to three months. Accounts receivable from related parties were uncollateralized, and no expected credit loss was required after the assessment by the management.

(ii) Service expense and payable to related parties

Subsidiaries provide IT services to the Company's business and the outstanding balances were as follows:

	Cost of sales		Accounts payable -related parties	
	2019	2018	December 31, 2019	December 31, 2018
Subsidiary – WIWZ	\$ 7,574	2,870	583	930
Subsidiary-Others	5,089	9,570	935	552
	<u>\$ 12,663</u>	<u>12,440</u>	<u>1,518</u>	<u>1,482</u>

The transactions between the Company and its subsidiaries were determined by considering the related costs of related parties, which were different from other outsourcing transactions, so it cannot be compared with.

(iii) Management services

The Company provides business consulting for subsidiaries. The management services revenue and its outstanding balances were as follows:

	Other income		Other receivable-related parties	
	2019	2018	December 31, 2019	December 31, 2018
Subsidiary – WIBI	\$ 24,000	24,000	5,889	4,000
Subsidiary – WIUS	8,633	-	3,160	-
	<u>\$ 32,633</u>	<u>24,000</u>	<u>9,049</u>	<u>4,000</u>

(iv) Contract liabilities

As of December 31, 2019, the Company received \$163 advance payment from the entity with significant influence over the Company which was recognized as current contract liabilities.

(v) Receivables and payables to related parties were as follows:

	December 31, 2019	December 31, 2018
Accounts receivable – related parties:		
Accounts receivable	\$ 32,702	105,213
Other receivables	9,049	4,000
Advances receivable	-	3,231
	<u>\$ 41,751</u>	<u>112,444</u>

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

	December 31, 2019	December 31, 2018
Accounts payable — related parties:		
Accounts payable	\$ 1,518	1,482
Other payables	126	-
	\$ 1,644	1,482

(c) Key management personnel compensation

Key management personnel compensation comprised

	2019	2018
Short-term employee benefits	\$ 29,680	44,115
Post-employment benefits	549	664
	\$ 30,229	44,779

(8) Pledged assets

The carrying amounts of pledged assets were as follows:

Pledged assets	Object	December 31, 2019	December 31, 2018
Other noncurrent assets -restricted bank deposit	Performance & warranty guarantee	\$ 250	3,735

(9) Significant commitments and contingencies

The guarantee notes issued for the warranty were as follows:

December 31, 2019	December 31, 2018
\$ -	5,080

(10) Losses due to major disasters: None.

(11) Subsequent events

- (a) The appropriation of earnings of 2019 that was approved at the board of directors meeting on March 27, 2020 but is to be presented for approval in the shareholders meeting was as follows:

	2019
Common stock dividends	
Cash	\$ 212,484

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

- (b) The outbreak of Coronavirus pandemic (COVID-19) since early 2020, has brought the uncertainty to Company's operating environment in China, and has impacted the Company's operations and financial performance accordingly. Up to now, the company has sufficient funds available to meet the needs of operations. Due to uncertain evolving of COVID-19, the Company cannot reasonably measure the impact on its business and financial position now, but would continue to closely monitor the developments of the epidemic.

(12) Other

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function By item	2019			2018		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salaries	394,578	174,536	569,114	317,913	180,464	498,377
Labor and health insurance	44,372	10,592	54,964	32,965	8,102	41,067
Pension	24,348	5,578	29,926	18,323	4,308	22,631
Directors' profit sharing bonus	-	13,155	13,155	-	7,105	7,105
Others	18,031	10,168	28,199	14,346	3,739	18,085
Depreciation	2,871	11,324	14,195	2,182	6,499	8,681
Amortization	94	4,027	4,121	303	5,477	5,780

As of December 31, 2019 and 2018, the additional information for employee numbers and employee benefits were as follows:

	<u>2019</u>	<u>2018</u>
Employee numbers	<u>791</u>	<u>653</u>
Directors' numbers without serving concurrently as employee	<u>7</u>	<u>8</u>
Average employee benefits	<u>\$ 870</u>	<u>899</u>
Average employee salaries	<u>\$ 726</u>	<u>773</u>
Average adjustment rate of employee salaries	<u>(6.08)%</u>	

(13) Other disclosures

- (a) Information on significant transactions:
- (i) Loans to other parties: None.
 - (ii) Guarantees and endorsements for other parties: Please refer to Table 1.

(Continued)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

- (iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 2.
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: Please refer to Table 3.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 4.
- (viii) Accounts receivable from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 5.
- (ix) Trading in derivative instruments: None.
- (b) Information on investments (excluding information on investees in mainland China)
The following are the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China): Please refer to Table 6.
- (c) Information on investment in mainland China: Please refer to Table 7.

(14) Segment information

Please refer to the consolidated financial statements for the year ended December 31, 2019.

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION

Statement of Cash and Cash Equivalents

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash on hand		\$ 120
Demand deposits		103,295
Foreign deposits (Note 1)	JPY70,891.00	19
	USD62,509.12	1,882
	CNY191,646.48	826
	EUR15,186.03	512
Time deposits (Note 1 and 2)		166,500
	USD 400,000	12,043
	CNY1,450,000.00	<u>6,248</u>
		<u><u>\$ 291,445</u></u>

Note 1: The ending rates of foreign currency deposits on December 31, 2019 are as follows:

USD : NTD =1 : 30.106

JPY : NTD =1 : 0.2765

CNY : NTD =1 : 4.3090

EUR : NTD =1 : 33.7067

Note 2: The periods of time deposits ranged from one to three months, and the annual interest rate ranges between 0.59%~2.68%。

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION

Statement of Accounts Receivable

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

<u>Client's Name</u>	<u>Amount</u>
Accounts receivable — non related parties	
101351	\$ 63,687
100104	12,783
101085	12,260
100299	11,638
Others (less than 5%)	<u>109,270</u>
Subtotal	209,638
Less: loss allowance	<u>(30)</u>
	<u><u>\$ 209,608</u></u>

Statement of other receivables

<u>Item</u>	<u>Amount</u>
Interest receivable	<u><u>\$ 75</u></u>

Statement of prepayments

<u>Item</u>	<u>Amount</u>
Low-value assets	\$ 508
Other prepayments	<u>889</u>
	<u><u>\$ 1,397</u></u>

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Statement of Movement of Financial Assets Measured at Fair Value through Other
Comprehensive Income—Non-current
For the year ended December 31, 2019
(Expressed in thousands of New Taiwan Dollars)

<u>Name of financial instrument</u>	<u>Beginning Balance</u>		<u>Increase (Note)</u>		<u>Decrease</u>		<u>Ending balance</u>		<u>Collateral</u>	<u>Notes</u>
	<u>Shares</u>	<u>Fair Value</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Fair Value</u>		
Stock of AdvancedTek International Co.	649,000	\$ <u>13,072</u>	-	<u>140</u>	-	<u>-</u>	649,000	<u>13,212</u>	None	None

Note: The increase was evaluate benefits.

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION

Statement of Movement of Investments Accounted for Using the Equity Method

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

<u>Name of investee</u>	<u>Beginning Balance</u>		<u>Increase (Note)</u>		<u>Decrease</u>		<u>Gains (losses) on investment</u>	<u>Cumulative translation adjustment</u>	<u>Ending Balance</u>			<u>Market Value or Net Assets Value</u>		<u>Collateral</u>	<u>Notes</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>			<u>Shares</u>	<u>Percentage of ownership</u>	<u>Amount</u>	<u>Unit price</u>	<u>Total amounts</u>		
Using the Equity Method:															
Wistorn Information Technology and Services Inc. (WIBI)	180,000,000	\$ 896,336	-	40,000	-	-	321,433	(48,080)	180,000,000	100.00	1,209,689	6.72	1,209,689	None	-
Wistorn Information Technology and Services (Japan) Inc. (WIJP)	1,960	84,485	-	-	-	-	18,701	(743)	1,960	100.00	102,443	52,266.84	102,443	None	-
Wistorn Information Technology and Services Limited (WIHK)	10,000	13,523	-	-	-	-	(3,611)	(182)	10,000	100.00	9,730	973.0	9,730	None	-
WITS AMERICA CORP. (WIUS)	250,000	8,950	-	-	-	-	5,585	(328)	250,000	100.00	14,207	56.82	14,207	None	-
Total		<u>\$ 1,003,294</u>		<u>40,000</u>		<u>-</u>	<u>342,108</u>	<u>(49,333)</u>			<u>1,336,069</u>		<u>1,336,069</u>		

Note: Transferred employees' profit sharing bonus into 166 thousand shares to subsidiary's employee and estimated release \$20,000 of employees' profit sharing bonus to subsidiary's employee.

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION

Statement of Other Non-current Assets

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Performance bond	\$ 6,142
Warranty deposit	2,691
Others	<u>267</u>
	<u>\$ 9,100</u>

Statement of Accounts Payable

<u>Vendor's Name</u>	<u>Amount</u>
100872	\$ 1,836
101113	1,457
1002346	600
Others (less than 5%)	<u>4,175</u>
	<u>\$ 8,068</u>

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION

Statement of Other Payables

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Accrued bonus	\$ 73,525
Accrued payroll	45,128
Accrued employees' and directors' profit sharing bonus	59,383
Other accrued expenses (less than 5%)	<u>49,584</u>
	<u>\$ 227,620</u>

Statement of Other Current Liabilities

Item	Amount
Temporary received	\$ 3
Income tax & other with holdings	996
Other advances receivable	3,529
Refund liabilities – current	<u>1,926</u>
	<u>\$ 6,454</u>

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION

Statement of Cost of Sales

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Direct labor	\$ 481,329
Manufacturing overhead	<u>86,776</u>
Cost of sales	<u><u>\$ 568,105</u></u>

Statement of Selling Expenses

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Notes</u>
Salary and wages expenses		\$ 15,291	
Insurance expenses		1,592	
Others (less than 5%)		<u>2,927</u>	
		<u><u>\$ 19,810</u></u>	

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION

Statement of Administrative Expenses

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Notes</u>
Salary and wages expenses		\$ 133,018	
Employees' profit sharing bonus		29,582	
Others (less than 5%)		<u>101,366</u>	
		<u><u>\$ 263,966</u></u>	

Statement of other current assets was disclosed in Note 6(h).

Statement of accounts receivable — related parties, other receivables — related parties, accounts payable — related parties, other payables — related parties were disclosed in Note 7.

Statement of movement of property, plant and equipment was disclosed in Note 6(e).

Statement of movement of right-of use assets was disclosed in Notes 6(f).

Statement of movement of intangible assets was disclosed in Note 6(g).

Statement of lease liabilities was disclosed in Note 6(j).

Statement of net defined benefit liability — non-current was disclosed in Note 6(k).

Statement of deferred tax assets, deferred tax liabilities were disclosed in Note 6(l).

Statement of revenue was disclosed in Note 6(o).

Statement of other income, other gains and losses and finance cost were disclosed in Note 6(q).

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

Table 1 Guarantees and endorsements for other parties
(December 31, 2019)

No.	Endorsement/ Guarantee Provider	Counter - party of guarantee and endorsement		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 1)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement / Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum amount for guarantees and endorsements (Note 1)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Notes
		Name	Relationship with the company (Note 2)											
0	The Company	WIBJ	2	1,054,498	213,666	206,604	-	-	9.80%	2,108,997	Y	N	Y	-
0	The Company	WIBI	2	1,054,498	79,030	75,265	-	-	3.57%	2,108,997	Y	N	N	-
0	The Company	WIUS	2	1,054,498	61,026	60,212	-	-	2.86%	2,108,997	Y	N	N	-
0	The Company	WIWZ	2	1,054,498	782,636	762,351	-	-	36.15%	2,108,997	Y	N	Y	-

(Note 1) The total amount for guarantees and endorsements provided by the Company shall not exceed the Company's net worth, which was audited by Certified Public Accountant.

Except for the subsidiary which was owned more than 90% by the guarantor which the total amount for guarantees and endorsements provided by the Company shall not exceed 50% of the Company's net worth, which was audited by Certified Public Accountant. The total amount for guarantees and endorsements provided by the Company to any individual entity shall not exceed 30% of the Company's net worth, which was audited by Certified Public Accountant.

The amount for guarantees and endorsements provided by the Company and its subsidiaries to other entities shall not exceed the Company's net worth, which was audited by Certified Public Accountant.

Except for the subsidiary which was owned more than 90% by the guarantor which the total amount for guarantees and endorsements provided by the Company shall not exceed 50% of the Company's net worth, which was audited by Certified Public Accountant. The amount for guarantees and endorsements provided by the Company and its subsidiaries to any individual entity shall not exceed 30% of the Company's net worth, was audited by Certified Public Accountant.

(Note 2) Relationship with the Company:

1. Ordinary business relationship.
2. Subsidiary which was owned more than 50% by the guarantor.
3. An investee which was owned more than 50% in total by both the guarantor and its subsidiary.
4. An entity that is guaranteed and endorsed by all capital contributing shareholders in proportion to their shareholding percentages.

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

Table 2 Market Securities Held (excluding investment in subsidiaries, associates and joint ventures)
(December 31, 2019)

Held Company Name	Marketable Securities Type and Name	Relationship with the company	Financial Statement Account	December 31, 2019				Notes
				Number of shares	Book value	Percentage of Ownership	Fair Value	
The Company	Stock of AdvancedTEK International CO.	-	Non-current financial assets at fair value through other comprehensive income	649,000	13,212	19.19%	13,212	-

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

Table 3 Acquisition of real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock
(December 31, 2019)

Name of Company	Name of Property	Transaction Date	Transaction amount	Status of payment	Counter-party	Relationship with the company	If the counter party is a related party, disclose the previous transfer information.				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the company	Date of transfer	Amount			
The Company	Land : Land NO.872, Hao Tian Section, Xizhi Dist, New Taipei City Land NO.6, Tong Xin Section, Xizhi Dist, New Taipei City Building : 32F, Building D, Sec.1 Xintai 5th Rd, Xizhi Dist, New Taipei City	2018.9	465,560	465,560	Farglory Global Investment CO., LTD. Farglory Land Development CO., LTD.	Non related parties	-	-	-	-	Valuation amount and market condition provided by professional valuation agency	Operating purpose	None

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

Table 4 Related party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock
(December 31, 2019)

Name of Company	Related Party	Nature of Relationship	Transaction details				Abnormal Transaction		Account/note receivable (payable)		Notes
			Purchase/Sales	Amount	Percentage of total purchases / (sales)	Payment Terms	Unit price	Payment Terms	Balance	Percentage of total accounts / Note receivable (payable)	
WIWZ	WIBI	Parent - subsidiary company	Sales	(330,101)	(10.81%)	Not materially different from the third-parties sales.(generally transaction)	Not materially different from the third-parties sales.(generally transaction)	Not materially different from the third-parties sales.(generally transaction)	41,089	5.53%	-
WIWZ	WIBJ	Parent - subsidiary company	Sales	(1,092,453)	(35.78%)	"	"	"	136,337	18.34%	-
The Company	WIBI	Parent - subsidiary company	Sales	(171,735)	(18.82%)	"	"	"	5,952	2.46%	-
WIHK	WIBI	Associates	Sales	(193,873)	(84.25%)	"	"	"	16,070	73.04%	-
WIBI	WIWZ	Parent - subsidiary company	Purchases	330,101	42.61%	"	"	"	(41,089)	(60.56%)	-
WIBJ	WIWZ	Parent - subsidiary company	Purchases	1,092,453	96.06%	"	"	"	(136,337)	(96.73%)	-
WIBI	The Company	Parent - subsidiary company	Purchases	171,735	22.00%	"	"	"	(5,952)	(8.77%)	-
WIBI	WIHK	Associates	Purchases	193,873	24.84%	"	"	"	(16,070)	(23.69%)	-

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

Table 5 Accounts receivable from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock
(December 31, 2019)

Company Name	Related Party	Relationship	Balance of receivables from related party	Turnover rate	Past - due receivables from related party		Amounts Received in Subsequent Period	Allowances for bad debt	Notes
					Amount	Action taken			
WIWZ	WIBJ	Parent - subsidiary company	136,337	609.26%	-	None	136,337	-	-

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

Table 6 Information on investees (excluding information on investees in mainland china)
(December 31,2019)

Name of the investor	Name of investee	Location	Major operations	Initial investment amount		Ending balance			Net income (losses) of the investee	Investment income (losses)	Notes
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value			
The Company	WIBI	B.V.I	Professional investment enterprise	294,184	294,184	180,000,000	100.00%	1,209,689	321,433	321,433	-
The Company	WIJP	Japan	Research, develop, design of software, and information consulting service	29,564	29,564	1,960	100.00%	102,443	18,701	18,701	-
The Company	WIHK	Hong Kong	Research, develop, design of software, and information consulting service	44	44	10,000	100.00%	9,730	(3,611)	(3,611)	-
The Company	WIUS	U.S.A	Research, develop, design of software, and information consulting service	7,586	7,586	250,000	100.00%	14,207	5,585	5,585	-

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

Table 7 Information on investment in Mainland China

1. Information on investment in Mainland China:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net income (loss) of the investee	Highest percentage of shares during the period	Direct / indirect shareholding (%) by the Company	Share of Profits/Losses (Note 2)	Carrying Amount as of December 31, 2019 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2019	Notes
					Outflow	Inflow								
QT	Research, develop, design of software, and information consulting service	4,445	(Note1)1.	2,304	-	-	2,304	1,102	100%	100%	1,102 (Note3)2.	(915)	-	-
WIBJ	Research, develop, design of software, and information consulting service	502,865	(Note1)1.	169,420	-	-	169,420	328,950	100%	100%	328,950 (Note3)1.	1,271,734	-	-
WIWZ	Research, develop, design of software, and information consulting service	356,800	(Note1)2.	-	-	-	-	296,029	100%	100%	296,029 (Note3)1.	926,306	-	-
WIYC	Research, develop, design of software, and information consulting service	24,449	(Note1)2.	-	-	-	-	(128)	100%	100%	(128) (Note3)2.	17,451	-	-

2. Limitation on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2019 (Note4)	Investment Amounts Authorized by Investment Commission, MOEA (Note4) ∙ (Note6) ∙ (Note7)	Upper Limit on Investment (Note5)
214,697 (USD 7,131,356)	545,863 (USD 18,131,356)	1,265,398

(Note 1) Ways to invest in Mainland China :

1. Indirect investment in Mainland China company through the company established in a third region.
2. Indirect investment in Mainland China company through Mainland China company.

(Note 2) The amount of the net income (losses) and the investee company carrying value as of December 31, 2019 were recognized by the investment through subsidiaries established in a third region or Mainland China.

(Note 3) Recognized share of associates and joint ventures accounted for using the equity method :

1. The financial statements of the investee company were reviewed by the company's auditor.
2. Others

(Note 4) Translated using the ending rate on December 31, 2019, which was USD : NTD = 1 : 30.106 .

(Note 5) The limit was the higher of 60% of the Company's net worth or NTD 80 million dollars.

(Note 6) Of which USD 1,000,000 was the investment in the dissolved subsidiary at Hangzhou. Due to operating losses, the investment has been completely lost and cannot be remitted; Of which USD 757,756 was the investment in the dissolved subsidiary at Zhejiang.

(Note 7) The Company increases investment in Mainland China(WIBJ) by USD 11,000,000 through the Company established in a third region(WIBI), and the investment has been authorized by Investment Commission, MOEA.

3. Significant transactions

For the year ended December 31, 2019, the significant inter-company transactions with the subsidiary in mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".